

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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R 311030Z OCT 74

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 9929

C O N F I D E N T I A L KINSHASA 9115

EXDIS

E.O. 11652: GDS

TAGS: EFIN, CG

SUBJ: GOVERNOR SAMBWA EXPLAINS

REF: KINSHASA 9021 ET AL

1. GOVERNOR SAMBWA ASKED ME TO CALL ON HIM TODAY (OCT 30). FOR OVER THIRTY MINUTES HE EXPLAINED IN EMOTIONAL VOICE, AT TIME PASSIONATE, COMMEMORATIVE COIN AFFAIR. ON MOBUTU'S INSTRUCTIONS, HE IS CABLING FNCB TO CANCEL PROPOSED TRANSACTION BUT HE INSISTED HE HAD ACTED HONORABLY THROUGHOUT AND JUSTIFIED CANCELLATION OF TRANSACTION IN TERMS OF DETERIORATION IN ZAIRE'S FOREIGN EXCHANGE POSITION.

2. SAMBWA BEGAN BY SAYING HE HAD BEEN GRAVELY ILL IN LAUSANNE HOSPITAL WITH INTESTINAL BLOCKAGE WHICH HAD HEMORRHAGED WHEN HE LEARNED FROM DEMUNNICK OF FNCB NEW YORK THAT PRESIDENCY HAD INDICATED FNCB SHOULD NOT PROCEED WITH TRANSACTION. AGAINST HIS DOCTOR'S WISHES HE HAD RETURNED TO KINSHASA AND SEEN PRESIDENT MOBUTU MONDAY. THEY HAD DECIDED TO CANCEL TRANSACTION AND THAT SAMBWA SHOULD TELL ME STORY SINCE TWO AMERICAN COMPANIES WERE INVOLVED. AT NO TIME DID SAMBWA INDICATE AWARENESS, IF HE IS AWARE, OF MY ROLE.

3. HE SAID THAT MONTHS AGO AMERICAN GROUP FROM CONTINENTAL MINT, NEW JERSEY, HAD APPROACHED HIM IN KINSHASA AND PROPOSED THAT COMMEMORATIVE COINS BE STRUCK

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FOR SALE IN CONNECTION TENTH ANNIVERSARY OF MOBUTU'S 1965

TAKEOVER. HE HAD INFORMED MOBUTU OF PROPOSED TRANSACTION AT THAT TIME AND OBTAINED GENERAL AUTHORITY PROCEED. SAMBWA INDICATED THAT THEREAFTER MOBUTU WAS NOT KEPT INFORMED OF DETAILS. SAMBWA ASSERTED HE HAD BEEN CONCERNED TO VERIFY STANDING AND FINANCIAL RESPONSIBILITY OF CONTINENTAL MINT AND HAD CHARGED THIS TASK TO KROCKMAN, MAURETANIAN EXECUTIVE DIRECTOR IBRD WHO REPRESENTS ZAIRE AMONST OTHER AFRICAN COUNTIRES. WHEN HE ARRIVED IN STATES HE DISCOVERED MATTER WERE WELL ADVANCED AND HE OBTAINED GUARANTEES FROM CONTINENTAL OF VARIOUS SORTS, INCLUDING GUARANTEED PROFIT OF \$14 MILLION ON \$36 MILLION TRANSACTION. HE APPROACHED FNCB FOR SHORT TERM FINANCING AND HE HAD DECIDED USE BANK OF ZAIRE GOLD RESERVES AS SECURITY. WHEN HE LEFT ZAIRE EXCHANGE RESERVE POSITION WAS SOLID (HE SAID \$83 MILLION), AND GODL WAS NOT EARNING RETURN. HOWEVER, OCTOBER HAD BEEN BAD MONTH AND ZAIRE'S RESERVES HAD FALLEN TO ABOUT \$60 MILLION AND IT WAS NO LONGER FEASIBLE TO HAVE GOLD RESERVES TIED UP IN COINAGE PROJECT, DESPITE HIS BELIEF THAT IT WOULD HAVE BEEN PROFITABLE FOR ZAIRE. HE SAID ZAIRE NOT BOUND BY INTERNATIONAL AGREEMENT NOT TO SELL GOLD ON MARKET AND THIS MIGHT BECOME NECESSARY. "DRASTIC MEASURES" WOULD BE TAKE TO STOP FURTHER DETERIORATION IN BALANCE OF PAYMENTS POSITION. HE ASSERTED LONGLY AND LOUDLY THAT HE WAS HONORABLE MAN, THAT HE COULD PROVE IT WHEN KROCKMAN'S LETTER, WHICH HAD BEEN SIGNED IN PRESENCE OF DEMUNNICK IN NEW YORK AND WAS EN ROUTE HERE, ARRIVED. HE WAS OUTRAGED TO LEARN UPON HIS RETURN THAT SPINK OF FNCB HERE, WORKING WITH DEMUNNICK, HAD RAISED QUESTIONS ABOUT HIS AUTHORITY TO COMMIT BANK OF ZAIRE. HE HAD ASKED DEMUNNICK REPEATEDLY TO CONFIRM BONA FIDES OF CONTINENTAL MINT AND CONTRARY TO USUAL PRACTICE BETWEEN BANKS, ESPECIALLY BANKS THAT HAD HAD LONG AND FRIENDLY ASSOCIATION, DEMUNNICK HAD REFUSED TO PASS JUDGMENT ON CONTINENTAL MINT. SAMBWA SAID HE HAD NOTHING AGAINST FNCB BUT THAT DEMUNNICK AND SPINK HAD CALLED HIS HONOR INTO QUESTION AND OTHERWISE BEHAVED IN UNACCEPTABLE FASHION.

4. I LISTENED TO THIS OUTPOURING - WHICH CONTAINED NUMBER OF SMALL INTERNAL INCONSISTENCIES - AND WHEN HE FINISHED
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COMMENTED THAT IF I HAD UNDERSTOOD HIM CORRECTLY, SPINK AND DEMUNNICK HAD AFTER ALL HELPED HIM SINCE HE HAD NOW CONCLUDED THAT IN PRESENT FOREIGN EXCHANGE SITUATION GOLD HAD TO BE USED FOR OTHER PURPOSES. HE DID NOT ACCEPT THIS BUT HE DID EVENTUALLY AGREE THAT PERHAPS THERE WAS "MISUNDERSTANDING" AND THAT PERHAPS AFTER HIS HEALTH WAS RESTORED HE WOULD LUNCH WITH SPINK AND MYSELF TO CLEAR AIR. IN MEANTIME, HE AGREED I SHOULD TALK WITH

SPINK AND HE WELCOMED MY SUGGESTION THAT I TRY TO FIND OUT MORE ABOUT CONTINENTAL MINT.

5. COMMENT: FACT SAMBWA RETURNED TO EXPLAIN TO MOBUTU SPEAKS WELL FOR HIM, BUT FACTS AND ALLEGED FACTS COULD STILL BE COMPATIBLE WITH SEVERAL THEORIES. AT BEST SAMBWA ACTED IMPRUDENTLY, AT WORST ENTIRE AFFAIR WAS GIANT SWINDLE. NEVERTHELESS, I AM SATISFIED THAT FNCB AND I AND USG DID RIGHT THING ON BASIS WHAT WE KNEW AND MOBUTU'S CATEGORIC REQUEST THAT USG TRY BLOCK DEAL.

6. ACTION REQUEST: RESPONSIBLE AUTHORITIES SHOULD, IF THEY HAVE NOT ALREADY DONE SO, CONTACT DEMUNNICK AND INVESTIGATE BNA FIDES CONTINENTAL MINT. IF CONTINENTAL MINT IS NOT LEGITIMATE ORGANIZATION, PASSING THAT WORD BACK TO MOBUTU AND SAMBWA WOULD HELP GREATLY TO PROTECT FNCB, SPINK AND DEMUNNICK AGAINST ANY IDEA SAMBWA MAY HAVE OF GETTING EVEN.

7. I HAVE BRIEFED SPINK ON GENERAL LINE SAMBWA TOOK. HINTON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COINS, GOLD TRANSACTIONS, FOREIGN EXCHANGE HOLDINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 OCT 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KINSHA09115
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740311-0537
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974104/aaaaaclo.tel
Line Count: 136
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: KINSHASA 9021 ET AL
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 15 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JUL 2002 by kelleyw0>; APPROVED <11 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOVERNOR SAMBWA EXPLAINS
TAGS: EFIN, CG, FIRST NATIONAL CITY BANK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005